



**Auditor of State
Betty Montgomery**

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants'	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003	3
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Non-expendable Trust Fund - For the Year Ended December 31, 2003	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002	5
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Non-expendable Trust Fund - For the Year Ended December 31, 2002	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	22

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Rootstown Township
Portage County
4268 Sandy Lake Road
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of the Rootstown Township (the Township) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June, 30 2004

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$76,926	\$760,661	\$133,103		\$970,690
Intergovernmental	226,236	85,512			311,748
Special Assessments		2,536			2,536
Charges for Services		36,215			36,215
Licenses, Permits, and Fees		18,390			18,390
Earnings on Investments	9,100	25			9,125
Other Revenue	69,504	12,017			81,521
	<u>381,766</u>	<u>915,356</u>	<u>133,103</u>		<u>1,430,225</u>
Total Cash Receipts					
	<u>381,766</u>	<u>915,356</u>	<u>133,103</u>		<u>1,430,225</u>
Cash Disbursements:					
Current:					
General Government	221,822	23,823	1,875		247,520
Public Safety		531,403			531,403
Public Works		406,598			406,598
Health		10,750			10,750
Conservation - Recreation	10,782				10,782
Debt Service:					
Redemption of Principal			455,000		455,000
Interest and Fiscal Charges			55,332		55,332
Capital Outlay		16,672		9,350	26,022
	<u>232,604</u>	<u>989,246</u>	<u>512,207</u>	<u>9,350</u>	<u>1,743,407</u>
Total Cash Disbursements					
	<u>232,604</u>	<u>989,246</u>	<u>512,207</u>	<u>9,350</u>	<u>1,743,407</u>
Total Receipts Over/(Under) Disbursements	<u>149,162</u>	<u>(73,890)</u>	<u>(379,104)</u>	<u>(9,350)</u>	<u>(313,182)</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes			225,000		225,000
Sale of Fixed Assets	155,653	5,820			161,473
Transfers-In		10,000			10,000
Transfers-Out		(10,000)			(10,000)
	<u>155,653</u>	<u>5,820</u>	<u>225,000</u>		<u>386,473</u>
Total Other Financing Receipts					
	<u>155,653</u>	<u>5,820</u>	<u>225,000</u>		<u>386,473</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>304,815</u>	<u>(68,070)</u>	<u>(154,104)</u>	<u>(9,350)</u>	<u>73,291</u>
Fund Cash Balances, January 1	<u>666,883</u>	<u>376,913</u>	<u>236,061</u>	<u>(198,830)</u>	<u>1,081,027</u>
Fund Cash Balances, December 31	<u><u>\$971,698</u></u>	<u><u>\$308,843</u></u>	<u><u>\$81,957</u></u>	<u><u>(\$208,180)</u></u>	<u><u>\$1,154,318</u></u>

The notes to the financial statements are an integral part of this statement.

ROOTSTOWN TOWNSHIP
PORTAGE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$367</u>
Total Operating Cash Receipts	<u>367</u>
Operating Cash Disbursements:	
Disbursements	<u></u>
Total Operating Cash Disbursements	<u></u>
Net Receipts Over Disbursements	367
Fund Cash Balances, January 1	<u>12,089</u>
Fund Cash Balances, December 31	<u><u>\$12,456</u></u>

The notes to the financial statements are an integral part of this statement.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$87,206	\$764,640	\$131,778	\$74	\$983,698
Intergovernmental	358,842	75,648		198,369	632,859
Special Assessments		2,485			2,485
Charges for Services		21,245			21,245
Licenses, Permits, and Fees		15,279			15,279
Earnings on Investments	23,174	89		12,520	35,783
Other Revenue	74,329	4,168			78,497
	<u>543,551</u>	<u>883,554</u>	<u>131,778</u>	<u>210,963</u>	<u>1,769,846</u>
Total Cash Receipts					
	<u>543,551</u>	<u>883,554</u>	<u>131,778</u>	<u>210,963</u>	<u>1,769,846</u>
Cash Disbursements:					
Current:					
General Government	295,768	8,812	23,766		328,346
Public Safety		671,563			671,563
Public Works		301,571			301,571
Health		9,249			9,249
Conservation - Recreation	12,518				12,518
Debt Service:					
Redemption of Principal				1,500,000	1,500,000
Interest and Fiscal Charges				33,208	33,208
Capital Outlay		12,189		1,743,176	1,755,365
	<u>308,286</u>	<u>1,003,384</u>	<u>23,766</u>	<u>3,276,384</u>	<u>4,611,820</u>
Total Cash Disbursements					
	<u>308,286</u>	<u>1,003,384</u>	<u>23,766</u>	<u>3,276,384</u>	<u>4,611,820</u>
Total Receipts Over/(Under) Disbursements	<u>235,265</u>	<u>(119,830)</u>	<u>108,012</u>	<u>(3,065,421)</u>	<u>(2,841,974)</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds				1,376,166	1,376,166
Sale of Fixed Assets		328			328
Advances-In				25,000	25,000
Advances-Out	(25,000)				(25,000)
	<u>(25,000)</u>	<u>328</u>		<u>1,401,166</u>	<u>1,376,494</u>
Total Other Financing Receipts/(Disbursements)					
	<u>(25,000)</u>	<u>328</u>		<u>1,401,166</u>	<u>1,376,494</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	210,265	(119,502)	108,012	(1,664,255)	(1,465,480)
Fund Cash Balances, January 1 (See Note 1H)	<u>456,618</u>	<u>496,415</u>	<u>128,049</u>	<u>1,465,425</u>	<u>2,546,507</u>
Fund Cash Balances, December 31	<u><u>\$666,883</u></u>	<u><u>\$376,913</u></u>	<u><u>\$236,061</u></u>	<u><u>(\$198,830)</u></u>	<u><u>\$1,081,027</u></u>

The notes to the financial statements are an integral part of this statement.

ROOTSTOWN TOWNSHIP
PORTAGE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Charges for Services	\$0
Earnings on Investments	<u>\$498</u>
Total Operating Cash Receipts	<u>498</u>
Operating Cash Disbursements:	
Disbursements	<u> </u>
Total Operating Cash Disbursements	<u> </u>
Net Receipts Over Disbursements	498
Fund Cash Balances, January 1	<u>11,591</u>
Fund Cash Balances, December 31	<u><u>\$12,089</u></u>

The notes to the financial statements are an integral part of this statement.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Rootstown Township, Portage County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (The State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

EMS/Fire Levy funds – These funds receive property tax money for the operation of the Fire and EMS departments.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Bond (Note) Retirement Fund – This fund received property tax money for the payment of various debt issues including the payment of a fire station note and bonds.

4. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Township had the following significant capital project fund:

Permanent Improvement Fund – The Township paid a note issue and construction costs for the building of a new fire station.

5. Fiduciary Funds (Nonexpendable Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant trust fund:

Cemetery Bequest Fund – This fund accounts for a bequest left for the care of the cemetery. Principal must be kept intact, but the interest income may be expended.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

H. Restatement of Fund Balance

The 2002 beginning balances for the general fund and special revenue fund were changed from the ending balances in 2001. These changes occurred because of a reportable condition for the Township to remove some outstanding checks, and some fund balance adjustments made during the prior audit.

	General Fund	Special Revenue Fund
Fund Balance December 31, 2001	\$427,408	\$492,477
Correction of Prior Audit Recommendation	29,210	3,938
Restated Fund Balances as of December 31, 2001	\$456,618	\$496,415

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$462,417	\$190,554
STAR Ohio	704,357	902,562
Total deposits and investments	<u>\$1,166,774</u>	<u>\$1,093,116</u>

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$315,278	\$537,419	\$222,141
Special Revenue	959,256	931,176	(28,080)
Debt Service	153,205	358,103	204,898
Capital Projects	0	0	0
Non-expendable trust	500	367	(133)
Total	<u>\$1,428,239</u>	<u>\$1,827,065</u>	<u>\$398,826</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$600,000	\$232,604	\$367,396
Special Revenue	1,132,983	999,246	133,737
Debt Service	400,000	512,207	(112,207)
Capital Projects	0	9,350	(9,350)
Non-expendable trust	3,000	0	3,000
Total	<u>\$2,135,983</u>	<u>\$1,753,407</u>	<u>\$382,576</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$319,817	\$543,551	\$223,734
Special Revenue	878,062	883,882	5,820
Debt Service	148,890	131,778	(17,112)
Capital Projects	15,500	1,587,129	1,571,629
Non-expendable trust	500	498	(2)
Total	<u>\$1,362,769</u>	<u>\$3,146,838</u>	<u>\$1,784,069</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$482,700	\$308,286	\$174,414
Special Revenue	1,046,821	1,003,384	43,437
Debt Service	261,720	23,766	237,954
Capital Projects	1,527,796	3,276,384	(1,748,588)
Non-expendable trust	2,926	0	2,926
Total	<u>\$3,321,963</u>	<u>\$4,611,820</u>	<u>(\$1,289,857)</u>

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code 5705.14, transfers were made in both 2002 and 2003 without a resolution of the Board of Trustees. See noncompliance finding 2003-001.

Contrary to Ohio Revised Code 5705.41(B), expenditures exceeded appropriations in several funds in 2002 and 2003. See noncompliance finding 2003-002.

Contrary to Ohio Revised Code 5705.10, the Township carried a negative fund balance in the permanent improvement fund (capital projects fund type) in 2002 and 2003. See noncompliance finding 2003-003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Note	\$225,000	1.75%
Fire Station Bonds	920,000	4.50%
Fire Truck Note	55,308	
Total	<u>\$1,200,308</u>	

The Township acquired notes are for a new fire station. The Township refinanced the notes into long-term bonds in 2003.

The Township purchased a new fire truck in 2000. They pay \$55,308 year for 5 years, and will own the truck after the last payment.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

	Fire Station <u>Note</u>	Fire Station <u>Bond</u>	Fire Truck <u>Note</u>	<u>Total</u>
Year ending December 31:				
2004	\$228,938	\$74,480	\$55,308	\$358,726
2005	0	72,905	0	72,905
2006	0	71,330	0	71,330
2007	0	69,755	0	69,755
2008-2012	0	362,920	0	362,920
2013-2017	0	364,305	0	364,305
2018-2022	0	361,060	0	361,060
Total	<u>\$228,938</u>	<u>\$1,376,755</u>	<u>\$55,308</u>	<u>\$1,661,001</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK POOL MEMBERSHIP

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA' retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK POOL MEMBERSHIP – (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

8. GASB 14- REPORTING ENTITY

The Rootstown Fire Company (the Company) provides services to the Township including training for fire department personnel and maintenance to the fire department building in exchange for quarterly payments from the Township. The Company is a nonprofit corporation established in 1938, and is a related organization to the Township. Their financial information is not included in the Township's financial statements.

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Rootstown Township
Portage County
4268 Sandy Lake Road
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of the Rootstown Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 30, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001, 2003-002 and 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. The Reportable condition is described in the accompanying schedule of findings as item 2003-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 30, 2004

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Noncompliance Citation - Transfers

Ohio Revised Code Sections 5705.14, .15, and .16 state that the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to another, any public funds under its supervision. Transfers from the general fund require a resolution passed by a simple majority of the board members, and transfers from any other fund besides the general fund, be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members.

We noted that transfers were being made on the UAN system, however, most were not voted on by the Board for approval, nor was the approval of the Tax Commissioner or Court of Common Pleas obtained.

During 2002, The Township made the following transfers which did not obtain the proper approval:

From	To	Amount
Special Revenue (Gasoline Tax Fund)	Capital Projects Fund (Public Works – Issue 2)	\$25,511
Special Revenue (Fund 2191 – Special Levy)	Special Revenue (Fund 2192 – Special Levy Fund)	\$4,000
Special Revenue (Fund 2193 – Special Levy)	Special Revenue (Fund 2192- Special Levy Fund)	\$25,000
Special Revenue (Permissive Motor Vehicle License)	Capital Projects Fund (Fund 4401- Public Works Issue 2)	\$35,000

During 2003, The Township made the following transfers which did not obtain the proper approval:

From	To	Amount
General Fund	Special Revenue Fund (Special Assessment Fund)	\$208
Special Revenue Fund (Fund 2191 – Special Levy Fund)	Special Revenue Fund (Fund 2192 – Special Levy Fund)	\$10,000
Special Revenue Fund (Fund 2191 – Special Levy Fund)	Special Revenue Fund (Fund 2192 – Special Levy Fund)	\$1,800
Special Revenue Fund (Fund 2192 – Special Levy Fund)	Special Revenue Fund (Fund 2193 – Special Levy Fund)	\$14,000

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001 (Continued)
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Noncompliance Citation – Transfers (Continued)

From	To	Amount
Special Revenue Fund (Fund 2193 – Special Levy Fund)	Special Revenue Fund (Fund 2192 – Special Levy Fund)	\$535
Special Revenue Fund (Fund 2193 – Special Levy Fund)	Special Revenue Fund (Fund 2192 – Special Levy Fund)	\$3,800

These transfers were not approved by the Board, Tax Commissioner, or Court of Common Pleas. The financial statements were adjusted to remove these transfers that were not properly approved.

To ensure compliance we recommend the Township review the requirements of Ohio Revised Code Sections 5705.14 to 5705.16 relating to the transfer of funds, and establish procedures for ensuring budgetary compliance.

Finding Number	2003-002
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Noncompliance Citation – Restrictions On The Expenditure of Monies

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township had expenditures which exceeded appropriations in the following funds in 2002 and 2003:

Fiscal Year 2002:

Fund Name/Type	Total Appropriations	Total Expenditures	Amount Exceeded
Gas tax fund (Special Revenue Fund)	\$47,000	\$66,084	\$19,084
Fire levy fund (Special Revenue Fund)	\$348,000	\$350,789	\$2,789
Fire levy fund (Special Revenue Fund)	\$245,309	\$278,891	\$33,582
Issue II grant fund (Capital Projects Fund)	\$0	\$193,880	\$193,880
Permanent Improvements (Capital Projects Fund)	\$1,663,794	\$3,276,384	\$1,612,590

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-002 (Continued)
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Noncompliance Citation – Restrictions On The Expenditure of Monies (Continued)

Fiscal Year 2003:

Fund Name/Type	Total Appropriation	Total Expenditures	Amount exceeded
Permissive Motor Vehicles (Special Revenue Fund)	\$90,000	\$94,578	\$4,578
Bond/Note Retirement (Debt Service Fund)	\$400,000	\$512,207	\$112,207
Permanent Improvements (Capital Projects Fund)	\$0	\$9,305	\$9,350

We recommend the Clerk and Board of Trustees review their appropriation ledger on a regular basis to insure expenditures do not exceed appropriations approved by the Board.

Implementation of this recommendation will assist the Township in maintaining compliance with the Ohio Revised Code and assist the Township in more closely monitoring the proper accounting of expenditures.

Finding Number	2003-003
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Noncompliance Citation – Negative Fund Balances

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

After audit adjustments, the Township's Capital Project Fund had negative fund balances at year end for 2003 and 2002. The adjustments are described below.

Unrecorded Debt adjustment:

In 2002 the Township issued a Fire Station Bond for \$950,000, a Fire State Note for \$425,000 and had accrued interest from these sales of \$1,166. None of these amounts were reflected on the financial statements.

Also in 2002 the Township retired a Fire Station Note for \$1,500,000 which had accrued interest of \$33,208. Both of these amounts were not reflected on the financial statements

The financial statements were adjusted to reflect the above amounts. After audit adjustments, the Township had a negative fund balance in the Permanent Improvement Fund (fund 4301) of \$138,319 at the end of 2002 and \$147,669 at the end of 2003.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-003 (Continued)
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Noncompliance Citation – Negative Fund Balances (Continued)

Transfer audit adjustments:

The Township financial statements were adjusted due to illegal transfers as noted in Finding Number 2003-001. This audit adjustment caused the Capital Project Fund balance to decrease by \$60,511.

After the debt and transfer audit adjustments, the Township’s Capital Project Fund had a negative fund balance of \$198,830 at the end of 2002.

Finding Number	2003-004
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Reportable Condition

Recommendation – Timely Cash Reconciliations:

During the audit we noted that although the Township closed out its books each month, the Township did not properly reconcile their books to bank balances for 2002 or 2003. Each month the Clerk provided the Board with a copy of financial reports, including the bank reconciliation with no copy of the corresponding bank statement, outstanding checks, or support for other adjusting factors so that they could independently see the flow of the reconciliations.

An error occurred in the month of October 2002 and carried throughout 2003 in which the Township did not post the following transactions related to the new fire department building:

- The proceeds from the sale of a \$950,000 bond,
- The proceeds of a \$425,000 note,
- Interest in the amount of \$1,166, and
- The corresponding disbursement paying off a \$1,500,000 note, including \$33,208 in interest related to the note.

The Township was unaware that this error had occurred and their books did not reconcile to the bank balance until it was brought to their attention during the audit:

The result was that the Township’s ledgers were \$157,042 less than the Township’s bank balance. This misstatement caused the Township to incur a negative fund balance in the permanent improvement fund (finding number 2003-003), and additionally, the amounts disbursed paying off the note in the permanent improvement fund were not appropriated (finding number 2003-002).

Each month the reconciliations showed large balances as “Other Adjusting Factors”, but there was no discussion within the minutes or notations on the signed copies of the monthly financial reports reflecting concern of these adjustments from the Trustees.

This condition has lead to the Township making financial decisions when their books are not properly reconciled to their bank statements.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-004 (Continued)
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Reportable Condition (Continued)

Recommendation – Timely Cash Reconciliations: (Continued)

We recommend the Township Clerk reconcile Fund Balances to Bank Balances each month. Any differences between the book and bank balances should be noted in “Other Adjusting Factors” within the UAN System, and once resolved; noted in the month’s reconciliation that it was resolved and include the support. Supporting explanation and documentation for any adjusting factors should always be presented and explained to the Board. The Board should continue to receive the reconciliations each month, but should also receive copies of the bank statements and any related outstanding checks, and adjusting factors to support the reconciliations. In addition, when the reconciliation indicates an adjusting factor, or any other unknown item, the Trustees should request an explanation until they understand what has taken place.

Implementation of the above recommendation will assist the Township in providing accurate and complete financial reports, and aid the Trustees in their performance of their duties as custodians of the Township.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001	Ohio Revised Code 742 – delinquent balances owed to the Ohio Police and Fire Pension Fund	Yes	
2001-002	Ohio Revised Code 5705.36 and 5705.39 – appropriations exceed estimated revenue	Yes	
2001-003	Stale dated checks on the Township's outstanding check listing	Yes	
2001-004	Filing of delinquent reports	Yes	



**Auditor of State
Betty Montgomery**

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ROOTSTOWN TOWNSHIP

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**